THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.


# Marketing in the 1990s



1992 ANNUAL REPORT

## COMPARATIVE HIGHLIGHTS

*The Great Atlantic & Pacific Tea Company, Inc.*

| *(Dollars in thousands, except per share figures)* | Fiscal 1992 | Fiscal 1991 | Fiscal 1990 |
|---|---|---|---|
| Sales | $10,499,465 | $11,590,991 | $11,390,943 |
| Income (loss) before cumulative effect | (98,501)(a) | 70,664 | 150,954 |
| Net income (loss) | (189,501) | 70,664 | 150,954 |
| Income (loss) per share before cumulative effect | (2.58)(a) | 1.85 | 3.95 |
| Net income (loss) per share | (4.96) | 1.85 | 3.95 |
| Cash dividends per share | .80 | .80 | .775 |
| Expenditures for property | 204,870 | 161,902 | 276,419 |
| Working capital | 56,769 | 173,866 | 116,251 |
| Current ratio | 1.05 | 1.16 | 1.10 |
| Shareholders' equity | 1,034,330 | 1,253,106 | 1,221,270 |
| Book value per share | 27.06 | 32.79 | 31.96 |
| Number of stores at year end | 1,193 | 1,238 | 1,275 |

(a) Such amounts are comprised of the following, net of applicable income taxes:

| | Dollars | Per Share |
|---|---|---|
| Provision for potential loss on Isosceles investment | $(89,238) | $(2.34) |
| Realignment of store operations | $(42,600) | $(1.11) |
| All other earnings | $ 33,337 | $ .87 |

## COMPANY PROFILE

The Great Atlantic & Pacific Tea Company, Inc., based in Montvale, New Jersey, operates conventional supermarkets and larger superstores in 23 U.S. states, the District of Columbia and Ontario, Canada, under the A&P, Waldbaum's, Food Emporium, Super Fresh, Farmer Jack, Kohl's, Dominion and Miracle Food Mart trade names. As of February 27, 1993, the Company operated a total of 1,193 stores. Through its Compass Foods subsidiary, the Company also manufactures and distributes a line of coffees under the Eight O'Clock, Bokar and Royale labels, both for sale through its own stores and by other companies.

## ABOUT THE COVER

Successful food retailing in today's markets requires more than broad product selection, superior perishables and competitive pricing. Creative, compelling marketing and promotional programs are essential components in the competitive mix, more important than ever in the marketplace of the '90s. This year's annual report focuses on A&P's diverse innovative marketing approaches.

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**TO OUR SHAREHOLDERS**

Our 1992 fiscal year was one of consolidation. We recorded several one-time, non-cash charges, which included a provision for the potential loss of our investment in Isosceles PLC, adoption of new accounting standards for income taxes and postretirement benefits and a reserve for store realignment costs.

Before giving effect to these special charges, the Company's earnings for the 1992 fiscal year were \$33.3 million or \$.87 per share on sales of \$10.5 billion compared with \$70.7 million or \$1.85 per share on sales of \$11.6 billion in fiscal 1991. Sales and earnings in fiscal 1992 were adversely affected by recessionary conditions in key markets, the decline of the Canadian exchange rate, low levels of inflation, and an extra week in fiscal 1991.

The small store sector in particular, excluding Food Emporium, has been a drag on A&P's U.S. sales performance during the past two years of recession. The additional advertising and promotional expense required to maintain sales, has generally been too much for small stores and too little for large stores, thus diluting profits on one hand and sales performance on the other.

This problem is fortunately one that is fast receding, with only 27% or less than 300 of our U.S. stores remaining in the 'small stores' category, after closing over 600 in the past ten years. Further, the accelerated rate of closures in more recent times and the increased new store activity in A&P's five-year plan will reduce the small store problem to negligible proportions in the next three to four years.

But 1992 was also a year of recovery. In the last quarter of fiscal 1992, we saw a reversal of recent sales declines and, in the early stages of fiscal 1993, we are seeing continued firming of weekly sales trends. So, while the 1992 fiscal year was very difficult, we are entering 1993 with optimism about economic recovery, about the strength of our trade banners, and about our long-term plan.

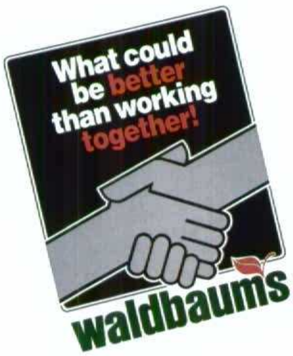
*Regional Recovery Seen*

Among all our regions, the Canadian operation — and our problems there — has had the greatest negative influence on our sales and profit performance during the past two years. Substantial and welcome relief in contract terms has already been received from one union sector and discussions are currently taking place to obtain similar relief with the other sector. This is a fundamental requirement, in not only maintaining a high standard of service in our stores, but also to sustain the upturn of our Canadian business which is so important to the Company.

We are experiencing sales and margin improvements that we believe will again lead to consistent profits from the Canadian group. The sales performance from our A&P and Dominion chains is recovering well and headed toward the volume levels we enjoyed two years ago, and Miracle is, at last, regaining ground, particularly in its larger stores. Overall, A&P companies dominate the best retailing locations in Toronto and the long-term outlook is excellent.

In the U.S., current overall performance is already better than last year's. While the economy has yet to recover fully, it is markedly better. Regions that have performed well during the recession are starting to deliver above-average results, while the weakest areas are beginning to come back to more acceptable levels.

Our Midwest Group is showing a brighter performance. Kohl's, in Wisconsin, continues to maintain good results in the face of strong, price-oriented competition. A&P and Farmer Jack in Michigan are still suffering with a weak economy, but capital spending on new and remodeled stores will help them improve in 1993.




*Retail marketing includes strong working relationships with our suppliers as depicted by the co-op advertising booklet shown above. "What Could be Better Than Working Together" is part of the "What Could Be Better Than Waldbaum's" campaign.*

Our Northeast, New York Metro and Waldbaum's operations are all doing better, with the overall New York Metro market, like Canada, approaching pre-recession sales levels.

Of all our regions, the most exciting recent news is our acquisition of 48 Big Star stores in Metro Atlanta, a long sought-after move which consolidates our position in this high-potential market. It would take years for us to create the physical presence and approach the number-two market share position that the Big Star acquisition provides today.

We believe this "Great Get Together", as we call the current Big Star/A&P marketing program, will enable us to make rapid progress in Atlanta. For the first time, we have critical mass in the market. And in the supermarket business, critical mass is absolutely essential to competitiveness.

*Five-Year Development Plan*

Now, with competitive market concentrations in each pivotal A&P trading region, we intend to build on this strong foundation with an aggressive five-year development plan:

• *To continue store improvements through capital spending.* In 1992, we accelerated our efforts to weed out obsolete, unproductive stores and, as a result, A&P has reached a major watershed in the restructuring of our store mix. Opening 175 new stores during the next five years will more than replace sales lost through the accelerated closure of small, outmoded stores. We're expanding square footage by an average of 3% during each of the next five years. Sales and earnings will benefit as our store mix reflects the increased contributions of larger, more modern stores. For 1993, we have committed in

excess of $300 million in capital expenditures for 24 new stores and more than 150 remodels and expansions. And that level will increase each year through 1997.

• *To improve use of technology.* Scanning and other technological advances help our store operations and merchandising. Scanning, for instance, enabled expansion of our frequent shopper program, an important marketing tool to improve sales and combat warehouse clubs.


• *To intensify advertising and promotion.* During 1992, we introduced new advertising and promotional programs in Canada and Metro New York and we recently kicked off new programs for Waldbaum's and the Midwest. An aggressive transition campaign for A&P and Big Star is now underway.

• *To enhance purchasing and merchandising.* We completed our move to central purchasing this past year and are now refining the system to enhance sales programs.

A&P's decade-long acquisition program has been the most important and successful element of our growth strategy in building leading market shares from the small A&P market concentrations of the past, while replacing small outdated stores with high volume, state-of-the-art supermarkets.

The reorganization process of the most recently acquired companies was severely disrupted by the extended recession. The result of this disruption is that our operations in Ontario, Michigan and Long Island, which have historically been among our most successful contributors, were the most severely affected. We have not let these adverse circumstances deter us. We have accelerated remodeling efforts in preparation for the upturn in these markets. In 1992 alone, we remodeled 20 stores in Ontario, 33 in Michigan and 30 Waldbaum's supermarkets. Conditions have improved in each of these areas, and with our continuing store improvement program, we expect them to make the greatest progress in 1993.

A&P's team, as one of the most successful in the industry during the '80s, has responded well to the difficult times of the '90s. Additional challenges provided by yet another acquisition in 1993 of the Big Star chain while still absorbing those made in recent times of Miracle Food Mart and Bormans have been undertaken with enthusiasm and we are justifiably proud of our people. As the economy further improves and the integration of these acquisitions is completed, so too will A&P resume its previous trend of sales and earnings growth.

*Weekly circulars are a staple of A&P's food marketing. Every week, A&P chains produce millions of circulars to match differing needs in their key markets.*

JAMES WOOD

*Chairman of the Board,*

*President and*

*Chief Executive Officer*


*The "Great" theme is carried through at store level with department and private label posters.*


CONVENIENCE + Service

*A&P's new advertising theme in the U.S. — The Great Store Just Next Door— is carried through a variety of supporting in-store materials, including cashier lapel buttons (right) that tell customers how happy we are to be of service.*


*While in-store support materials are important, we've extended our new slogan's visibility to external materials, like outdoor signage (left) and shopping bags (right).*

With eight store banners across six key regions — from high-end formats like Food Emporium to price competitors like Waldbaum's and Farmer Jack — A&P must deliver distinct marketing and promotional packages for each trade identity.

Today, although more than half of our stores are known by other names, A&P remains our anchor chain and our single most-visible trade name, competing on a strong service offering and the convenience of our many locations.

We moved forward last year to market the A&P name more effectively. A&P stores — clustered primarily in the Metro New York, Northeast and Ontario markets — introduced dynamic new advertising and promotions in 1992.

Through recent recessionary years, A&P's sales volume was hurt by heightened customer price-consciousness and the emergence of warehouse clubs. A&P's marketing helped meet that challenge.

*All of the television spots for "The Great Store Just Next Door" feature the same spokesperson (left). Our spokesperson provides an important linking element in "The Great Store Just Next Door" advertising for T.V., radio, and print.*


## THE GREAT STORE JUST NEXT DOOR

Experience has shown that, once economic times improve, consumers return to higher levels of service and food-shopping convenience. Our new U.S. A&P advertising — "The Great Store Just Next Door" — seeks to emphasize these characteristics.

The television advertising, in particular, showcases our many convenient supermarket locations and the consumer benefits of our multi-million-dollar capital investment in expansions and remodelings of hundreds of A&P stores.

Responding to specific marketing challenges, we also introduced new advertising and promotions for A&P in Canada: "A&P: The People's Choice." The campaign is designed to underscore our ability to provide not only high-quality store brands but the widest selection of national brand favorites as well.

Stores trading under the A&P banner are found primarily outside Toronto and traditionally project a promotional, value image to a broad customer base. Our 139-store A&P network in Canada has shown positive turnaround results from the new marketing and gradual economic recovery.

Ongoing promotions are paying off in our Canadian operations, as all three chains there begin to show the benefits of capital improvements and revitalized marketing.

## YOUR MIRACLE IS BACK

In addition to improving results at A&P stores in Ontario, our 63-store Miracle Food Mart chain is in the second year of a strong marketing campaign designed to regain Miracle's leadership in the very price-competitive end of the Toronto market.

Miracle also operates 12 Ultra Food Marts, which are large combination stores focused on one-stop shopping.

The 1992 campaign — "Your Miracle is Back" — highlighted our two-year efforts to remodel and improve most Miracle stores. We're building on the positive response to that effort with the new "All You Need is a Miracle" marketing theme in 1993.

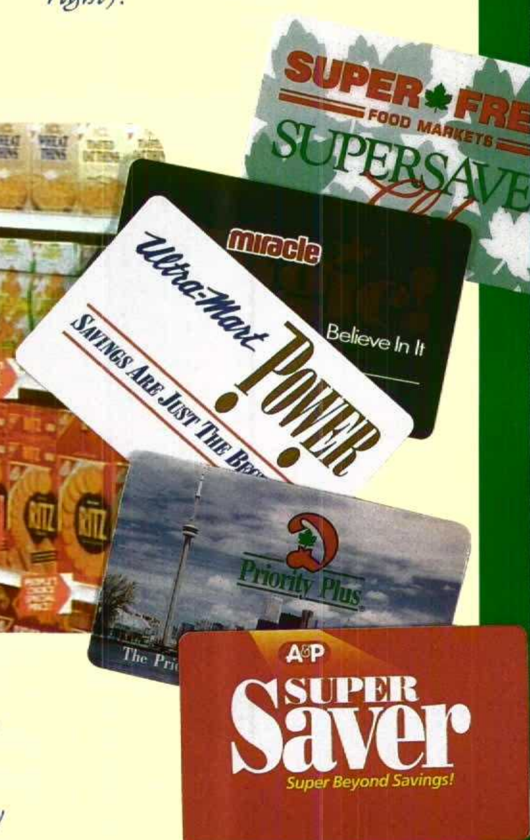
Dominion, our upscale Canadian format, has a similar niche to Food Emporium and operates 39 stores in the Toronto market, emphasizing quality service departments and broad selection to the urban shopper. Dominion is continuing with its new, highly successful "Deliciously Different" marketing theme.

Canada's Dominion chain and Food Emporium are the high-margin, upmarket members of the A&P family.

*Although A&P's chains are often positioned to appeal to a special niche, their customers have common goals: high quality products at competitive prices. Whether we're targeting a higher-end Dominion shopper or a price-competitive Miracle customer, quality and price are always an important part of the promotional equation. Dominion's campaign is themed "Deliciously Different...Dominion."*


*In Canada, our A&P chain has a different promotional approach from U.S.-based stores — A&P: The People's Choice — stressing our diverse selection of national brands and high quality private label. The "People's Choice" campaign has been highly successful in the Canadian market, carried out through media, like store circulars, as well as an aggressive television campaign (below right).*

*Frequent shopper programs are proving to be a highly effective vehicle for increasing store traffic and deepening customer loyalty. Each of our Canadian chains has its own distinct frequent shopper program tied to bright, attractively designed cards (below right).*



*(left) 1992's "Your Miracle is Back" campaign effectively highlighted Miracle's two-year program for store remodeling and expansion. Customer awareness has been broadened significantly and store traffic is up.*

# Choice + Value


*"Just For You" continues to be the proven marketing theme for our Food Emporium chain, targeted at the affluent high-end of the food retailing market (right) and carried through with a musical jingle.*




*In-store posters (above) are colorful attention-getters reminding shoppers of the diversity and value to be found at all Super Fresh locations.*

*Shelf talkers throughout our stores all key off the various advertising themes.*

*Master Choice magazine was introduced in 1992 to heighten awareness of our premium private label offerings. The magazine (above), distributed as a Sunday insert in major metropolitan newspapers, features interesting stories about Master Choice products, recipes and coupons.*


## FOOD EMPORIUM: JUST FOR YOU

With 30 locations in metro New York, Food Emporium consistently produces the highest margins of any A&P-owned chain. Even in the recent difficult recession years, Food Emporium's performance was a bright spot for our company.

Food Emporiums are located in affluent New York city neighborhoods and upscale suburban communities. Food Emporium's marketing and advertising — primarily cost-effective print and radio — continue to use the proven "Just For You" slogan, emphasizing the specialness of the Food Emporium store offerings.

## SUPER FRESH

A&P is committed to state-of-the-art technology at the front of the store, in the check-out line and behind-the-scenes.

Of all our chains, the 73-store Super Fresh operation in the Philadelphia market is the first one with scanners in every store. We also operate stores under the Super Fresh banner in the Baltimore, Washington and Virginia markets.

Because of Super Fresh's level of technology, we chose the Philadelphia operation for our first market-wide introduction of the Bonus Savings Club frequent shopper program. Initial experience with this concept has been most promising, building traffic and customer loyalty.

Super Fresh customers receive a Bonus Savings Club card, which qualifies them for shopping benefits and can double as a check-cashing card. Up to 600 items are tagged and advertised as "Bonus Savings" specials each week. The shopper presents the card at checkout and the scanners automatically discount those items.

As we build a database of information — and extend the program to other A&P chains — the Bonus Savings Club and programs like it will allow us to tailor mailings to match customers' affinities and use marketing information to fight discounters like the wholesale clubs.

Technology helped revamp our central purchasing system. Now, 85% of all warehouse product purchases are coordinated centrally at Montvale. This gives us a high degree of control over product costs and inventory investment.

## WHAT COULD BE BETTER THAN WALDBAUM'S

While Food Emporium can effectively compete for the upscale food shopper, Waldbaum's demonstrates our ability as a price competitor in the New York/Long Island market.

Targeted primarily for the broad value-oriented shopper, Waldbaum's has always stressed its price appeal. At year-end 1992, the chain operated 98 Waldbaum's supermarkets and 42 Waldbaum's Food Marts — high-volume, promotional stores noted for the produce and perishable departments and specializing in ethnic foods.

Waldbaum's new advertising — "What Could Be Better Than Waldbaum's" — will not only provide an effective vehicle to continue to deliver our unbeatable prices message, but also provide a highly visual way to show off our extensively renovated Waldbaum's stores. We spent $40 million remodeling Waldbaum's in 1992.

Waldbaum's results, after experiencing soft sales in the past few years, have already begun to strengthen as a result of our capital investment in the chain and new creative marketing.

## KOHL'S AND FARMER JACK

Kohl's, with 59 supermarkets in Wisconsin, holds a unique position in Milwaukee as upscale food stores with strong emphasis on quality perishables and service.

Michigan's Farmer Jack, combined with A&P stores in that state, holds the leading share in the metro Detroit market.

When we acquired Farmer Jack, it had great locations but investment-starved facilities. Since then, our efforts have focused on restoring profitability and upgrading the chain.

We've remodeled most of the 77 stores in the operation, with new stores and additional refurbishments scheduled for 1993.

*Waldbaum's "Unbeatable Prices" have become a powerful marketing message. Combined with the benefits of our recent renovations in that chain, the overall theme of "What Could Be Better Than Waldbaum's" has also been put to music for radio advertising.*

# SAVINGS & SPECIALS

*Participants in the Bonus Savings Club can see exactly how much they're saving every time they shop at Super Fresh. Our sophisticated scanner system totals and displays the Bonus Savings discount total for each customer on their receipts.*


*Store managers' guides provide direction for carrying our advertising and merchandising concepts directly to the consumer with in-store displays highlighting each week's specials.*

## STORE BRANDS AND PRIVATE LABELS

A&P has a long history of success with store brands and private labels. The art of building a strong franchise for private label lies in creative marketing and selling. A&P demonstrates both as it markets not only Eight O'Clock Bean Coffee but also our Master Choice line of premium private-label offerings.

Premium store brands meet the desires of the '90s consumer: exceptional quality at attractive price points. Value-added private label is clearly gaining greater acceptance among consumers and today the number of U.S. food retailers with value-added, private-label products is growing.

For food retailers, the attraction is profitability. Private-label products generally deliver higher margins on each sale.

We position Master Choice products as exclusive and high quality. We have more than 200 different items in this line now, which is positioned above the traditional store-brand. Master Choice is designed to be better quality than the equivalent national brand, but sells at competitive prices.

Marketing premium private label demands a whole different approach to packaging. The packaging must support the claim that the product is premium quality. Master Choice is a clear winner here, with six first-place international Clio awards for design.

Development of our high-quality private label has been accelerated and is receiving good acceptance in our stores, particularly the introduction of Master Choice in Canada during the past year.

Our Eight O'Clock Bean Coffee brand — the first private label ever created — remains the most visible private-label brand in the nation and a best-seller in the coffee category.

We directed new marketing emphasis on Eight O'Clock this year. Among the most striking marketing statements: a new sign in Times Square. The sign — a giant Eight O'Clock coffee mug with "steam" escaping — reminds millions of people every day of the great taste of Eight O'Clock.


*Eight O'Clock's "steaming" sign in Times Square is a popular new addition to "the crossroads of the world." Below are shown examples of award-winning packaging designs for our premium Master Choice private label products.*

## OPERATING RESULTS

### *Fiscal 1992 Compared with 1991*

Sales for fiscal 1992 were $10.5 billion, a 9.4% decrease when compared to fiscal 1991 (a 53 week year) sales of $11.6 billion. The extra week in fiscal 1991 and the decline in the Canadian exchange rate accounted for approximately one-third of the reported sales decline. The remainder of the sales decrease is attributable to the continued general slowdown of the economy in our major markets (New York, Michigan and Ontario, Canada) and the closing of 56 stores since the end of fiscal 1991. Sales by the Company's United States small store sector, excluding Food Emporium's, in general have lagged behind sales by the Company's other store formats. The Company has been reducing the overall number of small stores in the United States and intends to continue to do so over the next five years. See "Liquidity and Capital Resources." The performance of the Company's Canadian operations has had the greatest negative impact on the Company's overall sales during the past two years. During fiscal 1992, the Company opened 11 new stores and remodeled 102 existing stores. Same store sales declined 5.9% when comparing fiscal 1992 performance with that of 1991. However, same store sales during the fourth quarter of fiscal 1992 showed improvement, declining only 3.1% when compared to the fourth quarter of fiscal 1991.

Gross margin as a percentage of sales for fiscal 1992 was 28.5% as compared to 27.7% in fiscal 1991. The increase in margin is primarily attributable to the continued benefits derived from the Company's centralized purchasing function and change in product mix, partially offset by special price reductions and promotions.

Store operating, general and administrative expense declined slightly from $3.0 billion in fiscal 1991 to $2.9 billion in fiscal 1992. As a percent of sales, such costs were 27.3% in fiscal 1992 as compared to 26.0% in fiscal 1991. The increased percentage is a function of lower sales levels experienced during fiscal 1992.

During the fourth quarter of fiscal 1992, the Company announced the acquisition of 48 Big Star stores in the Atlanta, Georgia area. This transaction was completed on March 29, 1993. Simultaneous with this acquisition and the continuing reassessment of store operations in its markets, the Company has closed certain stores and has identified certain other stores to be closed in the future as part of its realignment of certain operating divisions in the U.S. and Canada. Accordingly, the Company recorded a charge of $73 million to cover the cost of these closings. Such charge also includes a reassessment of self-insurance reserves.

Canadian sales for fiscal 1992 were $2.2 billion as compared to $2.6 billion in 1991. Canada's pre-tax loss was $38.7 million in fiscal 1992, which included a charge of $10 million associated with the aforementioned realignment of store operations. Regarding expenses, relief in union contract terms has already been received from one union sector in Canada and discussions are currently taking place with the other sector in Canada to obtain similar relief necessary to sustain improvement of Canadian operations. In fiscal 1991, the Canadian operations posted a pre-tax profit of $5.4 million. The fall off in pre-tax profit is attributable to the decline in sales volume and the previously mentioned realignment charge.

Interest expense decreased when compared to the prior fiscal year primarily as a result of lower interest rates.

During fiscal 1992, the Company recorded a provision for potential loss on its total investment in Isosceles PLC of $151.2 million ($89.2 million after giving effect for applicable income tax benefits associated with this charge).

Effective March 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106") and Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS 109"). As a result, the Company recorded charges of $26.5 million (net of applicable income tax benefits) and $64.5 million for SFAS 106 and SFAS 109, respectively, as the cumulative effect of these changes on prior years.

In 1992, earnings before cumulative effect of the changes in accounting principles, the provision for the potential loss on Isosceles investment and the realignment of store operations were $33 million net of applicable income taxes or $.87 per share.

The income tax benefit recorded is principally attributable to the provision for the potential loss on Isosceles investment and the charge for realignment of store operations.

*Fiscal 1991 Compared with 1990*

Sales for fiscal 1991 were $11.6 billion reflecting a 1.8% increase over sales for fiscal 1990 of $11.4 billion. The increase in sales is attributable to the inclusion of the results of Miracle Food Mart for a full year in 1991 versus 18 weeks last year, 53 week results for fiscal 1991 compared to 52 week results for fiscal 1990 as well as the opening of 18 new stores and the remodeling of 56 existing stores during the year partially offset by a general slowdown of the economy in our major markets and the closing of 55 obsolete stores. Same store sales declined 6.1% when comparing fiscal 1991 performance with that of 1990.

Gross margin as a percent of sales of 27.7% remained constant with the previous year. The Company was able to maintain its margins despite the increased use of special price reductions, primarily from the benefits of its centralized purchasing function.

Store operating, general and administrative expense as a percent of sales was 26.0% compared to 24.7% during the prior year resulting primarily from increased costs associated with store occupancy, store labor, employee benefits and advertising.

Interest expense increased over the previous year primarily due to increased long-term borrowings resulting from the acquisition of Miracle Food Mart in the third quarter of fiscal 1990 partially offset by lower interest rates on decreased bank borrowings.

## LIQUIDITY AND CAPITAL RESOURCES

The Company ended the fiscal year with working capital of $57 million compared to $174 million and $116 million at February 29, 1992 and February 23, 1991, respectively. The Company had cash and short-term investments aggregating $110 million at the end of fiscal 1992 compared to $136 million at the end of both fiscal 1991 and 1990. The Company also has in excess of $300 million in various available credit facilities.

During fiscal 1992, the Company financed its capital expenditures, debt repayments and cash dividends principally through internally generated funds. U.S. bank borrowings decreased during the fiscal year from $128 million at February 29, 1992 to $120 million at February 27, 1993. Average outstanding U.S. bank borrowings during fiscal 1992 were at an average interest rate of 3.5% compared to 5.5% in fiscal 1991.

In formulating its recent five-year development plan, the Company intends to continue to emphasize store improvements through capital spending. Under the plan, the Company intends to open 175 new stores during the next five years, expand square footage and remodel additional stores, thereby increasing the Company's emphasis on larger, more modern stores.

The Company's current cash resources, together with available credit facilities and income from operations, are sufficient for the Company's 1993 capital expenditure program of approximately $330 million (consisting primarily of the opening of 24 new stores and the remodeling and expansion of 150 stores), debt retirements and dividend payments in fiscal 1993.

## IMPACT OF NEW ACCOUNTING STANDARDS

During November 1992, Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" ("SFAS 112") was issued. The Company has not determined the impact of adopting the statement on its financial statements. The Company is not required to adopt this statement until fiscal 1994.

## STATEMENTS OF CONSOLIDATED OPERATIONS

*The Great Atlantic & Pacific Tea Company, Inc.*

| *(Dollars in thousands, except per share figures)* | Fiscal 1992 | Fiscal 1991 | Fiscal 1990 |
|---|---|---|---|
| Sales | $10,499,465 | $11,590,991 | $11,390,943 |
| Cost of merchandise sold | (7,511,910) | (8,377,710) | (8,237,372) |
| Gross margin | 2,987,555 | 3,213,281 | 3,153,571 |
| Store operating, general and administrative expense | (2,870,249) | (3,009,427) | (2,818,716) |
| Realignment of store operations | (73,000) | - | - |
| Income from operations | 44,306 | 203,854 | 334,855 |
| Interest expense | (66,436) | (81,416) | (79,674) |
| Interest income | 1,267 | 1,526 | 7,173 |
| Provision for potential loss on Isosceles investment | (151,238) | - | - |
| Income (loss) before income taxes and cumulative effect | (172,101) | 123,964 | 262,354 |
| Benefit (provision) for income taxes | 73,600 | (53,300) | (111,400) |
| Income (loss) before cumulative effect | (98,501) | 70,664 | 150,954 |
| Cumulative effect on prior years of changes in accounting principles: | | | |
| Income taxes | (64,500) | - | - |
| Postretirement benefits | (26,500) | - | - |
| Net income (loss) | $ (189,501) | $ 70,664 | $ 150,954 |
| Earnings (loss) per share: | | | |
| Income (loss) before cumulative effect | $ (2.58) | $ 1.85 | $ 3.95 |
| Cumulative effect on prior years of changes in accounting principles: | | | |
| Income taxes | (1.69) | - | - |
| Postretirement benefits | (.69) | - | - |
| Net income (loss) per share | $ (4.96) | $ 1.85 | $ 3.95 |

## STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

*The Great Atlantic & Pacific Tea Company, Inc.*

| *(Dollars in thousands)* | Fiscal 1992 | Fiscal 1991 | Fiscal 1990 |
|---|---|---|---|
| *Common stock:* | | | |
| Balance beginning of year | $ 38,224 | $ 38,219 | $ 38,212 |
| Exercise of options | 5 | 5 | 7 |
| | $ 38,229 | $ 38,224 | $ 38,219 |
| *Capital surplus:* | | | |
| Balance beginning of year | $ 437,972 | $ 437,949 | $ 437,913 |
| Exercise of options and cumulative tax effect of phantom share agreement | 15,503 | 23 | 36 |
| | $ 453,475 | $ 437,972 | $ 437,949 |
| *Cumulative translation adjustment:* | | | |
| Balance beginning of year | $ 1,395 | $ 9,679 | $ 1,946 |
| Exchange adjustment | (14,204) | (8,284) | 7,733 |
| | $ (12,809) | $ 1,395 | $ 9,679 |
| *Retained earnings:* | | | |
| Balance beginning of year | $ 775,873 | $ 735,778 | $ 614,435 |
| Net income (loss) | (189,501) | 70,664 | 150,954 |
| Cash dividends | (30,576) | (30,569) | (29,611) |
| | $ 555,796 | $ 775,873 | $ 735,778 |
| *Treasury stock, at cost:* | | | |
| Balance beginning of year | $ (358) | $ (355) | $ (342) |
| Purchase of Treasury stock | (3) | (3) | (13) |
| | $ (361) | $ (358) | $ (355) |

*See Notes to Consolidated Financial Statements on pages 19 through 27.*

*The Great Atlantic & Pacific Tea Company, Inc.*

| *(Dollars in thousands)* | February 27, 1993 | February 29, 1992 |
|---|---|---|
| **ASSETS** | | |
| *Current assets:* | | |
| Cash and short-term investments | $ 110,120 | $ 136,166 |
| Accounts receivable | 194,557 | 187,363 |
| Inventories | 856,319 | 910,879 |
| Prepaid expenses and other assets | 60,496 | 21,500 |
| Total current assets | 1,221,492 | 1,255,908 |
| *Property:* | | |
| Land | 96,491 | 88,718 |
| Buildings | 229,658 | 226,734 |
| Equipment and leasehold improvements | 2,117,898 | 1,999,908 |
| Total-at cost | 2,444,047 | 2,315,360 |
| Less accumulated depreciation and amortization | (881,242) | (753,874) |
| | 1,562,805 | 1,561,486 |
| Property leased under capital leases | 141,339 | 163,294 |
| Property-net | 1,704,144 | 1,724,780 |
| Other assets | 165,294 | 312,579 |
| | $3,090,930 | $3,293,267 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| *Current liabilities:* | | |
| Current portion of long-term debt | $ 104,660 | $ 55,953 |
| Current portion of obligations under capital leases | 18,021 | 18,604 |
| Accounts payable | 674,455 | 670,041 |
| Accrued salaries, wages and benefits | 157,405 | 148,154 |
| Accrued taxes | 11,953 | 35,127 |
| Other accruals | 198,229 | 154,163 |
| Total current liabilities | 1,164,723 | 1,082,042 |
| Long-term debt | 414,301 | 486,129 |
| Obligations under capital leases | 182,066 | 206,003 |
| Deferred income taxes | 141,184 | 168,862 |
| Other non-current liabilities | 154,326 | 97,125 |
| *Shareholders' equity:* | | |
| Preferred stock-no par value; authorized-3,000,000 shares; issued-none | | |
| Common stock-$1 par value; authorized-80,000,000 shares; issued 38,229,490 and 38,224,490 shares, respectively | 38,229 | 38,224 |
| Capital surplus | 453,475 | 437,972 |
| Cumulative translation adjustment | (12,809) | 1,395 |
| Retained earnings | 555,796 | 775,873 |
| Treasury stock, at cost, 9,098 and 8,979 shares, respectively | (361) | (358) |
| Total shareholders' equity | 1,034,330 | 1,253,106 |
| | $3,090,930 | $3,293,267 |

*See Notes to Consolidated Financial Statements on pages 19 through 27.*

*The Great Atlantic & Pacific Tea Company, Inc.*

| *(Dollars in thousands)* | Fiscal 1992 | Fiscal 1991 | Fiscal 1990 |
|---|---|---|---|
| *Cash Flows From Operating Activities:* | | | |
| Net income (loss) | $(189,501) | $ 70,664 | $150,954 |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | | |
| Provision for potential loss on Isosceles investment | 151,238 | - | - |
| Realignment of store operations | 73,000 | - | - |
| Cumulative effect on prior years of changes in accounting principles: | | | |
| Income taxes | 64,500 | - | - |
| Postretirement benefits | 26,500 | - | - |
| Depreciation and amortization | 228,976 | 224,641 | 200,313 |
| Deferred income tax provision (benefit) on income (loss) before cumulative effect | (87,800) | 16,700 | 63,500 |
| (Gain) loss on disposal of owned property | (2,472) | 1,912 | 2,762 |
| (Increase) decrease in receivables | (18,538) | 13,074 | (35,801) |
| (Increase) decrease in inventories | 45,367 | 24,773 | (66,662) |
| (Increase) decrease in other current assets | 1,906 | (12,042) | (2,558) |
| Increase (decrease) in accounts payable | (20,994) | (74,971) | 85,119 |
| Decrease in accrued expenses | (10,081) | (37,657) | (17,281) |
| Increase (decrease) in other accruals | (5,905) | 13,615 | (62,233) |
| Other | (15,095) | 2,044 | 5,472 |
| Net cash provided by operating activities | 241,101 | 242,753 | 323,585 |
| *Cash Flows From Investing Activities:* | | | |
| Expenditures for property | (204,870) | (161,902) | (276,419) |
| Proceeds from disposal of property | 12,573 | 7,090 | 3,113 |
| Acquisition of business, net of cash acquired | - | - | (223,961) |
| Net cash used in investing activities | (192,297) | (154,812) | (497,267) |
| *Cash Flows From Financing Activities:* | | | |
| Proceeds from debt | 8,839 | 13,257 | 516,420 |
| Payment of debt | (32,788) | (44,097) | (327,137) |
| Principal payments on capital leases | (18,565) | (25,527) | (21,299) |
| Cash dividends | (30,576) | (30,569) | (29,611) |
| Proceeds from stock options exercised | 27 | 28 | 43 |
| Purchase of Treasury stock | (3) | (3) | (13) |
| Net cash provided by (used in) financing activities | (73,066) | (86,911) | 138,403 |
| Effect of exchange rate changes on cash and short-term investments | (1,784) | (954) | 585 |
| *Net Increase (Decrease) in Cash and Short-term Investments* | (26,046) | 76 | (34,694) |
| Cash and Short-term Investments at Beginning of Year | 136,166 | 136,090 | 170,784 |
| *Cash and Short-term Investments at End of Year* | $ 110,120 | $136,166 | $136,090 |

*See Notes to Consolidated Financial Statements on pages 19 through 27.*

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Fiscal Year*

The Company's fiscal year ends on the last Saturday in February. Fiscal 1992 ended February 27, 1993, fiscal 1991 ended February 29, 1992 and fiscal 1990 ended February 23, 1991. Fiscal 1992 and 1990 were each comprised of 52 weeks while fiscal 1991 was comprised of 53 weeks.

*Common Stock*

The principal shareholder of the Company, Tengelmann Warenhandelsgesellschaft ("Tengelmann"), owned 53.4% of the Company's common stock as of February 27, 1993.

*Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries.

*Inventories*

Store inventories are valued principally at the lower of cost or market with cost determined under the retail method. Other inventories are valued primarily at the lower of cost or market with cost determined on a first-in, first-out basis. Inventories of certain acquired companies are valued using the last-in, first-out method, which was their practice prior to acquisition.

*Properties*

Depreciation and amortization are provided on the straight-line basis over the estimated useful lives of the assets. Buildings are depreciated based on lives varying from twenty to fifty years and equipment based on lives varying from three to ten years. Equipment and real property leased under capital leases are amortized over the lives of the respective leases. Properties designated for sale are classified as current assets.

*Pre-opening Costs*

Costs incurred in the opening of new stores are expensed in the year incurred.

*Earnings (Loss) Per Share*

Earnings (loss) per share is based on the weighted average number of common shares outstanding during the fiscal year which was 38,219,000 in 1992, 38,211,000 in 1991 and 38,206,000 in 1990. Stock options outstanding had no material effect on the computation of earnings (loss) per share.

*Excess of Cost over Net Assets Acquired*

The excess of cost over net assets acquired is amortized on a straight-line basis over forty years.

*Income Taxes*

The Company provides deferred income taxes on temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Investment tax credits are amortized over the estimated useful lives of the related assets. As of the beginning of fiscal 1992, the Company adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS 109"). The Company reported the cumulative effect on prior years of the change in accounting principle by recording a charge of $64.5 million ($1.69 per share) as of the beginning of the year.

*Postretirement Benefits*

As of the beginning of fiscal 1992, the Company adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"). As a result, the Company recorded a cumulative charge of $26.5 million ($.69 per share) as the after-tax effect of recording the transition obligation as of the beginning of the year.

*Financial Instruments*

As of the beginning of fiscal 1992, the Company adopted Statement of Financial Accounting Standards No. 107 "Disclosures About Fair Value of Financial Instruments" ("SFAS 107"). In accordance with SFAS 107, the Company has determined that

fair value disclosure is required with respect to the $300 million unsecured, non-callable public debt securities. The carrying values of the Company's remaining financial instruments at February 27, 1993 approximated their estimated fair values.

*Accounts Payable and Other Accrued Liabilities*

Under the Company's cash management system, checks issued but not presented to banks frequently result in overdraft balances for accounting purposes. Overdraft balances of $161.9 million and $132.1 million at February 27, 1993 and February 29, 1992, respectively, are included in the balance sheet caption "Accounts payable".

The Company accrues for vested and non-vested vacation pay. Liabilities for compensated absences of $87 million at both February 27, 1993 and February 29, 1992 are included in the balance sheet caption "Accrued salaries, wages and benefits".

Certain reclassifications have been made to the prior years' financial statements in order to conform to the current year presentation.

## ACQUISITIONS

In October 1990, the Company acquired certain assets, including inventory, of the Miracle Food Mart Division of Steinberg, Inc. ("Miracle Food Mart") for approximately C$270 million. The acquisition included 70 retail supermarkets in the province of Ontario under the tradenames "Miracle Food Mart" and "Ultra Mart". The acquisition has been accounted for as a purchase, and the excess of cost over the fair market value of net assets acquired was approximately C$75 million (U.S. $65 million). The results of operations have been included in the consolidated results of the Company from the date of acquisition. In connection with this acquisition, liabilities amounting to C$35 million were assumed at the date of acquisition in fiscal 1990.

During the fourth quarter of fiscal 1992, the Company announced the acquisition of 48 Big Star stores in the Atlanta, Georgia area. This acquisition was completed on March 29, 1993 and, accordingly, the accompanying statement of operations for the fiscal year ended February 27, 1993 excludes operating results related to these stores.

## REALIGNMENT OF STORE OPERATIONS

The Company reassessed store operations in its markets and has closed certain stores and has identified certain other stores to be closed in the future as part of its realignment of certain operating divisions in the United States and Canada. The Company recorded a charge of $73 million to cover the cost of these closings. Such charge also includes a reassessment of self-insurance reserves.

## INVESTMENT IN ISOSCELES

During fiscal 1989, the Company loaned approximately $436 million to Newgateway Holdings Limited ("Newgateway"), a United Kingdom Company, which was formed to purchase the outstanding common shares of the Gateway Corporation PLC ("Gateway"), a food retailer in the United Kingdom. Subsequently, Newgateway sold its Gateway shares to Isosceles PLC ("Isosceles"), the owner of a controlling interest in Gateway, for cash and Isosceles shares. Concurrent with the sale, Newgateway repaid its loan to the Company with cash and 19.9% of the common and cumulative preference shares of Isosceles. After giving effect to a series of recapitalizations (in which the Company did not participate), the Company's ownership decreased to approximately 5.5% of the equity of Isosceles. During fiscal 1992, the Company recorded a provision for potential loss on its total investment in Isosceles, net of applicable income taxes, of $89.2 million or $2.34 per share.

## INVENTORY

Approximately 22% of the Company's inventories are valued using the last-in, first-out method. Such inventories would have been $20 million higher at both February 27, 1993 and February 29, 1992 if the retail or first-in, first-out methods were used. The last-in, first-out charge to earnings per share for fiscal years 1992, 1991 and 1990 was $.01, $.05 and $.08, respectively.

## LITIGATION

On March 18, 1983, a judgment was entered by the U.S. District Court in Newark, New Jersey, and on December 29, 1983 such judgment was affirmed by the Third Circuit Court of Appeals, approving the settlement of an action brought by a former executive on behalf of himself and a class of participants in the Company's Employees' Retirement Plan ("Plan") against the members of the Company's Board of Directors and of its Retirement Board (such action being entitled William I. Walsh, et al. v. The Great Atlantic & Pacific Tea Company, Inc., et al.). The action sought to prevent the termination of the Plan and the distribution of the surplus assets to the Company. Pursuant to the settlement, the benefits to participants were increased at a cost of $50 million. On March 7, 1985, a purported class action, entitled Ruthie Epting, et al. v. The Great Atlantic & Pacific Tea Company, Inc., et al., was brought in the same U.S. District Court against the Company, members of its Board of Directors and of its Retirement Board, and the Commissioner of Internal Revenue. The plaintiffs were persons who claim to be former employees who were discharged prior to obtaining vested pension rights under the Plan. The plaintiffs sought a declaratory judgment, claiming that their employment terminated under circumstances constituting a partial termination of the Plan, thus entitling them to benefits under the Plan as well as other relief. On May 8, 1989, the U.S. District Court in Newark, New Jersey entered an order in this action reflecting a settlement reached by the Company and the representatives of the purported class in Ruthie Epting , et al. v. The Great Atlantic & Pacific Tea Company, Inc., et al. The settlement provides for payments to class members who were terminated during 1975-1981 in an amount not exceeding $6 million and for payments to class members terminated prior to 1975 in an amount not exceeding $.4 million; and for a further payment of $1.2 million in attorney's fees and court costs (which fees and costs were paid). The Company administered the settlement in accordance with its terms and made payments approximating $3.6 million to claimants terminated during 1975-1981. No further payments are anticipated. On May 1, 1992, the U.S. District Court in Newark, New Jersey issued a decision declaring that all proceedings contemplated by the Court's final judgment in Ruthie Epting, et al. v. The Great Atlantic & Pacific Tea Company, Inc., et al. and William I. Walsh, et al. v. The Great Atlantic & Pacific Tea Company, Inc., et al. had been concluded. There was no appeal from the Court's decision.

The Company is also involved in various other claims, administrative agency proceedings and other lawsuits arising out of the normal conduct of its business. Although the ultimate outcome of such legal proceedings cannot be predicted, the management of the Company believes that resulting liability, if any, will not have a material effect upon the Company's financial position.

## OPERATIONS IN GEOGRAPHIC AREAS

The Company has been engaged in the retail food business since 1859 and currently does business under the names A&P, Waldbaum's, Food Emporium, Super Fresh, Farmer Jack, Kohl's, Dominion and Miracle Food Mart. Sales in the table below reflect sales to unaffiliated customers in the United States and Canada.

| *(Dollars in thousands)* | Fiscal 1992 | Fiscal 1991 | Fiscal 1990 |
|---|---|---|---|
| Sales: | | | |
| United States | $ 8,286,270 | $ 8,994,405 | $ 9,195,995 |
| Foreign | 2,213,195 | 2,596,586 | 2,194,948 |
| Total | $10,499,465 | $11,590,991 | $11,390,943 |
| Income (Loss) Before Income Taxes and Cumulative Effect: | | | |
| United States | $ (133,378) | $ 118,612 | $ 200,935 |
| Foreign | (38,723) | 5,352 | 61,419 |
| Total | $ (172,101) | $ 123,964 | $ 262,354 |
| Assets: | | | |
| United States | $ 2,425,291 | $ 2,403,201 | $ 2,614,667 |
| Foreign | 665,639 | 890,066 | 800,378 |
| Total | $ 3,090,930 | $ 3,293,267 | $ 3,415,045 |

## INDEBTEDNESS

Debt consists of:

| *(Dollars in thousands)* | February 27, 1993 | February 29, 1992 |
|---|---|---|
| 9 1/8% Notes, due January 15, 1998 | $200,000 | $200,000 |
| 8 1/8% Notes, due January 15, 1994 | 100,000 | 100,000 |
| Mortgages and Other Notes, due 1993 through 2014 (average interest rates at year end of 9.0% and 9.2%, respectively) | 60,976 | 77,854 |
| U.S. Bank Borrowings at 3.3% and 4.2%, respectively | 120,000 | 128,000 |
| Canadian Commercial Paper at 6.8% and 7.4%, respectively | 38,775 | 37,260 |
| Less unamortized discount on Notes | (790) | (1,032) |
| | 518,961 | 542,082 |
| Less current portion | (104,660) | (55,953) |
| Long-term debt | $414,301 | $486,129 |

As of February 27, 1993, the Company has outstanding a total of $300 million of unsecured, non-callable public debt securities in the form of $200 million 9 1/8% Notes due 1998 and $100 million 8 1/8% Notes due 1994. As of February 27, 1993, the fair values of these securities based on quoted market prices were $220 million and $103 million, respectively. With respect to all other indebtedness, Company management has evaluated such debt instruments and has determined, based on interest rates and terms, that the fair value of such indebtedness approximates carrying value at February 27, 1993.

The Company has a $175 million U.S. credit agreement with banks enabling it to borrow funds on a revolving basis sufficient to refinance any outstanding short-term borrowings and U.S. lines of credit with banks in excess of $250 million. Borrowings under U.S. lines of credit were $120 million and $128 million at February 27, 1993 and February 29, 1992, respectively. The Company's loan agreements contain certain financial covenants including the maintenance of minimum levels of shareholders' equity and limitations on the incurrence of additional indebtedness and lease commitments. The Company's Canadian subsidiary has a C$100 million commercial paper program and maintains bank credit lines sufficient to refinance any outstanding Canadian commercial paper borrowings. Canadian commercial paper borrowings were C$48 million and C$44 million at February 27, 1993 and February 29, 1992, respectively.

The net book value of real estate pledged as collateral for all mortgage loans amounted to approximately $102 million as of February 27, 1993. Combined U.S. and Canadian bank and commercial paper borrowings of $159 million as of February 27, 1993 are classified as non-current as it is the Company's intent to refinance these borrowings on a long-term basis.

Maturities for the next five fiscal years are: 1993-$105 million; 1994-$138 million; 1995-$14 million; 1996-$14 million; 1997-$217 million. Interest payments on indebtedness were approximately $39 million for fiscal 1992 and approximately $49 million for both fiscal 1991 and 1990.

## LEASE OBLIGATIONS

The Company operates primarily in leased facilities. Lease terms generally range up to twenty-five years for store leases and thirty years for other leased facilities, with options to renew for additional periods. The majority of the leases contain escalation clauses relating to real estate tax increases and certain store leases provide for increases in rentals when sales exceed specified levels. In addition, the Company leases some store equipment and trucks.

The consolidated balance sheets include the following:

| (Dollars in thousands) | February 27, 1993 | February 29, 1992 |
|---|---|---|
| Real property leased under capital leases | $288,954 | $303,848 |
| Equipment leased under capital leases | 7,865 | 15,288 |
| | 296,819 | 319,136 |
| Accumulated amortization | (155,480) | (155,842) |
| | $141,339 | $163,294 |

The Company has not entered into any new capital leases in fiscal 1992 as compared to $11 million during fiscal 1991 and $5 million during fiscal 1990. Interest paid for capital lease obligations was approximately $24, $27 and $28 million in fiscal 1992, 1991 and 1990, respectively.

Rent expense for operating leases consists of:

| (Dollars in thousands) | Fiscal 1992 | Fiscal 1991 | Fiscal 1990 |
|---|---|---|---|
| Minimum rentals | $154,099 | $156,981 | $134,222 |
| Contingent rentals | 7,957 | 9,146 | 9,726 |
| | $162,056 | $166,127 | $143,948 |

Minimum annual rentals for leases in effect at February 27, 1993 are shown in the table below. All amounts are exclusive of lease obligations and sublease rentals applicable to facilities for which reserves have previously been established.

| (Dollars in thousands) | Capital Leases | | |
|---|---|---|---|
| Fiscal | Equipment | Real Property | Operating Leases |
| 1993 | $1,371 | $ 38,993 | $ 130,598 |
| 1994 | 737 | 36,481 | 125,311 |
| 1995 | 16 | 33,547 | 119,568 |
| 1996 | - | 31,089 | 113,250 |
| 1997 | - | 29,027 | 104,770 |
| 1998 and thereafter | - | 215,495 | 962,698 |
| | 2,124 | 384,632 | $1,556,195 |
| Less executory costs | - | (3,878) | |
| Net minimum rentals | 2,124 | 380,754 | |
| Less interest portion | (169) | (182,622) | |
| Present value of net minimum rentals | $1,955 | $198,132 | |

## INCOME TAXES

The (benefit) provision for income taxes consists of the following:

| (Dollars in thousands) | Fiscal 1992 | Fiscal 1991 | Fiscal 1990 |
|---|---|---|---|
| Current: | | | |
| Federal | $21,800 | $29,800 | $ 19,800 |
| Canadian | (12,800) | 2,100 | 22,100 |
| State and local | 5,200 | 4,700 | 6,000 |
| | 14,200 | 36,600 | 47,900 |
| Deferred: | | | |
| Federal | (62,500) | 11,300 | 47,800 |
| Canadian | (5,400) | (600) | 6,900 |
| State and local | (19,900) | 6,000 | 8,800 |
| | (87,800) | 16,700 | 63,500 |
| | $(73,600) | $53,300 | $ 111,400 |

The deferred income tax provision results primarily from the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The income tax benefit recorded in fiscal 1992 is principally attributable to the provision for potential loss on the Company's total investment in Isosceles and the charge for realignment of store operations.

During fiscal 1991 and 1990, the deferred income tax provision resulted primarily from accelerated tax depreciation, insurance, leasing, employee benefits and tax on undistributed earnings of Canadian subsidiaries.

The provision for income taxes includes amortization of investment tax credits of approximately $1 million in fiscal 1992 and approximately $2 million in both fiscal 1991 and 1990. For tax purposes, the Company has Canadian operating loss carryforwards of approximately $31 million which expire in fiscal 1998. Deferred income taxes of approximately $6.7 million have not been provided on approximately $15 million of undistributed earnings of the Canadian subsidiaries which are considered to be permanently invested.

A reconciliation of the Federal statutory income (loss) tax rate to the Company's effective income (loss) tax rate is summarized as follows:

| | Fiscal 1992 | Fiscal 1991 | Fiscal 1990 |
|---|---|---|---|
| Federal statutory income (loss) tax rate | (34.0)% | 34.0% | 34.0% |
| State income taxes less Federal tax benefit | (5.6) | 5.7 | 3.7 |
| Difference between Federal statutory rate and Canadian effective rate | (2.9) | (.3) | 3.1 |
| Depreciation/amortization attributable to excess cost over tax basis of certain assets | .3 | 5.1 | 2.5 |
| Amortization of investment tax credits | (.6) | (1.5) | (.8) |
| Effective income (loss) tax rate | (42.8)% | 43.0% | 42.5% |

As of the beginning of fiscal 1992, the Company adopted SFAS 109. As a result, the Company reflected the cumulative effect on prior years of the change in accounting principle by recording a charge of $64.5 million ($1.69 per share).

In conjunction with SFAS 109, the Company has remeasured prior acquisitions which has resulted in an increase in liabilities assumed of $22 million. In addition, the Company recorded the remaining $15.5 million tax benefit resulting from payments from the Company's principal shareholder to the Company's Chief Executive Officer under a phantom stock agreement. This amount has been recorded as a credit to the Capital Surplus of the Company.

SFAS 109 requires a valuation allowance to be recognized for those deferred tax assets that will not be realized. At this time, the Company has determined that such a valuation allowance need not be recorded.

Income tax payments for fiscal 1992, 1991 and 1990 were approximately $34, $41 and $56 million, respectively.

The components of net deferred tax assets (liabilities) as of February 27, 1993 are as follows:

| *(Dollars in thousands)* | |
|---|---|
| Current assets: | |
| Insurance reserves | $ 38,136 |
| Other reserves | 15,077 |
| Lease obligations | 2,299 |
| Miscellaneous | 3,695 |
| | 59,207 |
| Current liabilities: | |
| Inventories | (15,476) |
| Pension obligations | (2,699) |
| Miscellaneous | (1,212) |
| | (19,387) |
| Deferred income taxes included in prepaid expenses and other assets | $ 39,820 |
| Non-current assets: | |
| Alternative minimum tax credits | $ 44,000 |
| Provision for potential loss on Isosceles investment | 41,603 |
| Other reserves | 24,654 |
| Lease obligations | 22,382 |
| Canadian loss carryforward | 13,653 |
| Insurance reserves | 9,221 |
| Cumulative translation adjustment | 8,902 |
| Miscellaneous | 4,379 |
| | 168,794 |
| Non-current liabilities: | |
| Depreciation of fixed assets | (249,154) |
| Undistributed earnings of Canadian subsidiaries | (27,000) |
| Miscellaneous | (33,824) |
| | (309,978) |
| Deferred income taxes | $(141,184) |

## RETIREMENT PLANS AND BENEFITS

The Company provides retirement benefits to certain non-union and some union employees under several defined benefit plans. Benefits under these plans are determined based upon service time and compensation. Net pension expense for these plans consists of the following components:

| *(Dollars in thousands)* | Fiscal 1992 | Fiscal 1991 | Fiscal 1990 |
|---|---|---|---|
| Service cost | $10,630 | $10,922 | $ 9,219 |
| Interest on projected benefit obligation | 21,842 | 21,204 | 16,955 |
| Actual return on plan assets | (16,685) | (39,905) | (20,047) |
| Net amortization and deferral | (9,621) | 12,642 | (2,307) |
| Net pension expense | $ 6,166 | $ 4,863 | $ 3,820 |

The Company's U.S. defined benefit pension plans are accounted for on a calendar year basis while the Company's Canadian defined benefit pension plans are accounted for on a fiscal year basis. The funding for these plans is based on an evaluation of the assets and liabilities of each plan. The majority of plan assets is invested in listed stocks and bonds. A reconciliation of the funded status of these plans is as follows:

| | 1992 | | 1991 | |
|---|---|---|---|---|
| *(Dollars in thousands)* | Assets Exceed Accumulated Benefits | Accumulated Benefits Exceed Assets | Assets Exceed Accumulated Benefits | Accumulated Benefits Exceed Assets |
| Actuarial present value of: | | | | |
| Vested benefit obligation | $212,492 | $ 31,934 | $205,010 | $ 20,749 |
| Accumulated benefit obligation | $218,989 | $ 33,138 | $210,775 | $ 21,296 |
| Projected benefit obligation | $235,858 | $ 35,883 | $229,382 | $ 22,041 |
| Plan assets at fair value | 271,554 | 16,109 | 277,406 | 8,430 |
| Excess (deficiency) of plan assets versus projected benefit obligation | 35,696 | (19,774) | 48,024 | (13,611) |
| Unrecognized net (gain) loss | (300) | 806 | (12,588) | (54) |
| Prior service cost not yet recognized in net pension expense | 5,463 | 4,798 | (41) | 1,057 |
| Unrecognized net transitional obligation (asset) | (12,729) | 1,608 | (13,764) | 1,321 |
| Additional minimum liability | - | (4,552) | - | (1,977) |
| Pension asset (liability) | $ 28,130 | $(17,114) | $ 21,631 | $(13,264) |

Actuarial assumptions used to determine net pension expense and year-end plan status were as follows:

| | 1992 | 1991 |
|---|---|---|
| Discount rate | 8%-9.25% | 8%-9.25% |
| Expected rate of return on assets | 9%-9.25% | 9%-9.25% |
| Rate of increase in future compensation levels | 5%-6% | 5%-6% |

The Company maintains a defined contribution retirement plan to which the Company contributes 4% of eligible participants' salaries. Participants become fully vested in the Company's contribution after 5 years of service. The Company's contributions charged to operations were approximately $10 million in both fiscal 1992 and 1991 and approximately $9 million in fiscal 1990. The Company also maintains a savings plan to which eligible participants may contribute a percentage of eligible salary. The Company contributes to the plan based on specified percentages of the participants' eligible contributions. Contributions charged to operations in fiscal 1992, 1991 and 1990 for this plan were not significant.

The Company participates in various multi-employer union pension plans which are administered jointly by management and union representatives and which sponsor most full-time and certain part-time union employees who are not covered by the Company's other pension plans. The pension expense for these plans approximated $39, $40 and $41 million in fiscal 1992, 1991 and 1990, respectively. The Company could, under certain circumstances, be liable for unfunded vested benefits or other expenses of jointly administered union/management plans. At this time, the Company has not established any liabilities because such withdrawal from these plans is not probable or reasonably possible.

The Company and its wholly-owned subsidiaries provide postretirement health care and life benefits to certain union and non-union employees. As of the beginning of fiscal 1992, the Company adopted SFAS 106. In accordance with SFAS 106, the Company is required to recognize the cost of providing postretirement benefits during employees' active service period. The Company's previous accounting policy had been to expense benefit costs as incurred. As a result, the Company recorded a cumulative charge of $26.5 million ($.69 per share) as the after-tax effect (federal and state) of recording the transition obligation as of the beginning of the year.

As of February 27, 1993, the unfunded accumulated postretirement benefit obligation ("APBO") was approximately $47.6 million. The APBO was determined using an assumed discount rate of 8%. The assumed rate of future increase in health care benefit cost was 13.75% in fiscal 1992 and is expected to decline to 5.25% by the year 2023 and remain at that level thereafter.

Service cost benefits earned and interest cost on the projected benefit obligation were approximately $.6 million and $3.7 million, respectively, in fiscal 1992.

The effect of a one-percentage-point increase in the assumed health care cost trend rate for each future year on the net postretirement health care cost and the accumulated postretirement benefit obligation would be $.5 million and $5.1 million, respectively.

During November 1992, Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" ("SFAS 112") was issued. SFAS 112 will be effective for fiscal years beginning after December 15, 1993 and will require the accrual of costs for preretirement postemployment benefits provided to former or inactive employees and the recognition of an obligation for these benefits. The Company has not determined the impact of adopting the statement on its financial statements.

## STOCK OPTIONS

The Company has a 1975 and a 1984 Stock Option Plan for its officers and key employees. As of February 23, 1985 all available options under the 1975 Stock Option Plan had been granted and as of February 27, 1993 all shares had been exercised. The 1984 Stock Option Plan, which provides for the granting of 1,500,000 shares, has been amended as of July 10, 1990 to increase by 1,500,000 the number of options available for grant as either options or Stock Appreciation Rights ("SAR's"). Each option is available for grant at the fair value of the Company's common stock on the date the option is granted. SAR's allow the optionee, in lieu of purchasing stock, to receive cash in an amount equal to the excess of the fair market value of common stock on the date of exercise over the option price. A total of 15,000 SAR's was granted in fiscal 1992.

A summary of option transactions is as follows:

| | Shares | Price Range Per Share |
|---|---|---|
| Outstanding February 23, 1991 | 1,324,950 | $ 5.50-$65.13 |
| Granted | 50,000 | 27.63-45.38 |
| Cancelled or expired | (45,500) | 34.00-59.88 |
| Options exercised | (5,000) | 5.50 |
| SAR's exercised | (133,575) | 11.44-46.38 |
| Outstanding February 29, 1992 | 1,190,875 | $ 5.50-$65.13 |
| Granted | 15,000 | 23.00-24.38 |
| Cancelled or expired | (2,500) | 39.75 |
| Options exercised | (5,000) | 5.50 |
| SAR's exercised | (4,250) | 21.50 |
| Outstanding February 27, 1993 | 1,194,125 | $21.50-$65.13 |
| Exercisable at: | | |
| February 29, 1992 | 791,500 | $ 5.50-$65.13 |
| February 27, 1993 | 967,375 | $21.50-$65.13 |

## SUMMARY OF QUARTERLY RESULTS

*(unaudited)*

The table below summarizes the Company's results of operations by quarter for fiscal 1992 and 1991. The first quarter of each fiscal year contains sixteen weeks, and the second and third quarters each contain twelve weeks. The fourth quarter of fiscal 1992 and 1991 contains twelve weeks and thirteen weeks, respectively.

| *(Dollars in thousands, except per share figures)* | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total Year |
|---|---|---|---|---|---|
| 1992 | | | | | |
| Sales | $3,316,249 | $2,431,827 | $2,375,809 | $2,375,580 | $10,499,465 |
| Gross margin | 946,664 | 697,749 | 667,773 | 675,369 | 2,987,555 |
| Income (loss) from operations (a) | 60,069 | 27,837 | 10,525 | (54,125) | 44,306 |
| Income (loss) before cumulative effect (b) | (66,434) | 7,641 | 422 | (40,130) | (98,501) |
| Cumulative effect on prior years of changes in accounting principles: | | | | | |
| Income taxes | (64,500) | - | - | - | (64,500) |
| Postretirement benefits | (26,500) | - | - | - | (26,500) |
| Net income (loss) | (157,434) | 7,641 | 422 | (40,130) | (189,501) |
| Per share data: | | | | | |
| Income (loss) before cumulative effect (c) | (1.74) | .20 | .01 | (1.05) | (2.58) |
| Cumulative effect on prior years of changes in accounting principles: | | | | | |
| Income taxes | (1.69) | - | - | - | (1.69) |
| Postretirement benefits | (.69) | - | - | - | (.69) |
| Net income (loss) | (4.12) | .20 | .01 | (1.05) | (4.96) |
| Cash dividends | .20 | .20 | .20 | .20 | .80 |
| Market price: | | | | | |
| High | 34.375 | 29.125 | 28.000 | 27.000 | |
| Low | 29.375 | 25.625 | 21.625 | 22.625 | |
| Number of stores at end of period | 1,224 | 1,214 | 1,204 | 1,193 | |
| 1991 | | | | | |
| Sales | $3,590,694 | $2,652,686 | $2,607,667 | $2,739,944 | $11,590,991 |
| Gross margin | 1,004,449 | 726,003 | 713,405 | 769,424 | 3,213,281 |
| Income from operations | 89,799 | 42,865 | 24,789 | 46,401 | 203,854 |
| Net income | 36,201 | 14,480 | 3,916 | 16,067 | 70,664 |
| Per share data: | | | | | |
| Net income | .95 | .38 | .10 | .42 | 1.85 |
| Cash dividends | .20 | .20 | .20 | .20 | .80 |
| Market price: | | | | | |
| High | 56.875 | 45.750 | 35.500 | 33.875 | |
| Low | 44.000 | 35.625 | 26.125 | 25.125 | |
| Number of stores at end of period | 1,259 | 1,258 | 1,251 | 1,238 | |

**Footnotes:**

*Amounts are comprised of the following; items (b) and (c) net of applicable income taxes:*

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Total Year |
|---|---|---|---|---|---|
| *(a) Realignment of store operations* | - | - | - | *(73,000)* | *(73,000)* |
| *All other earnings from operations* | *60,069* | *27,837* | *10,525* | *18,875* | *117,306* |
| *(b) Provision for potential loss on Isosceles investment* | *(89,238)* | - | - | - | *(89,238)* |
| *Realignment of store operations* | - | - | - | *(42,600)* | *(42,600)* |
| *All other earnings* | *22,804* | *7,641* | *422* | *2,470* | *33,337* |
| *(c) Provision for potential loss on Isosceles investment* | *(2.34)* | - | - | - | *(2.34)* |
| *Realignment of store operations* | - | - | - | *(1.11)* | *(1.11)* |
| *All other earnings* | *.60* | *.20* | *.01* | *.06* | *.87* |

## MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

The management of The Great Atlantic & Pacific Tea Company, Inc. has prepared the consolidated financial statements and related financial data contained in this Annual Report. The financial statements were prepared in accordance with generally accepted accounting principles appropriate to our business and, by necessity and circumstance, include some amounts which were determined using management's best judgments and estimates with appropriate consideration to materiality. Management is responsible for the integrity and objectivity of the financial statements and other financial data included in this report. To meet this responsibility, management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that accounting records are reliable. Management supports a program of internal audits and internal accounting control reviews to provide assurance that the system is operating effectively.

The Board of Directors pursues its responsibility for reported financial information through its Audit Review Committee. The Audit Review Committee meets periodically and, when appropriate, separately with management, internal auditors and the independent auditors, Deloitte & Touche, to review each of their respective activities.

James Wood

JAMES WOOD
*Chairman of the Board, President*
*and Chief Executive Officer*

Fred Corrado

FRED CORRADO
*Vice Chairman of the Board,*
*Chief Financial Officer and Treasurer*

## INDEPENDENT AUDITORS' REPORT

*To the Shareholders and Board of Directors of The Great Atlantic & Pacific Tea Company, Inc.:*

We have audited the accompanying consolidated balance sheets of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies as of February 27, 1993 and February 29, 1992 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three fiscal years in the period ended February 27, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies at February 27, 1993 and February 29, 1992 and the results of their operations and their cash flows for each of the three fiscal years in the period ended February 27, 1993 in conformity with generally accepted accounting principles.

As discussed in Notes to Consolidated Financial Statements, in fiscal 1992, the Company changed both its method of accounting for income taxes to conform with Statement of Financial Accounting Standards ("SFAS") No. 109 and its method of accounting for postretirement benefits other than pensions to conform with SFAS No. 106.

Deloitte & Touche

*Parsippany, New Jersey*
*April 29, 1993*

*The Great Atlantic & Pacific Tea Company, Inc.*

| *(Dollars in thousands, except per share figures)* | Fiscal 1992 (52 weeks) | Fiscal 1991 (53 weeks) | Fiscal 1990 (52 weeks) | Fiscal 1989 (52 weeks) | Fiscal 1988 (52 weeks) |
|---|---|---|---|---|---|
| ***Operating Results*** | | | | | |
| Sales | $10,499,465 | $11,590,991 | $11,390,943 | $11,147,997 | $10,067,776 |
| Income (loss) before cumulative effect | (98,501)(a) | 70,664 | 150,954 | 146,698 | 127,582 |
| Cumulative effect on prior years of changes in accounting principles: | | | | | |
| Income taxes | (64,500) | - | - | - | - |
| Postretirement benefits | (26,500) | - | - | - | - |
| Net income (loss) | (189,501) | 70,664 | 150,954 | 146,698 | 127,582 |
| ***Per Share Data*** | | | | | |
| Income (loss) before cumulative effect | (2.58)(a) | 1.85 | 3.95 | 3.84 | 3.34 |
| Cumulative effect on prior years of changes in accounting principles: | | | | | |
| Income taxes | (1.69) | - | - | - | - |
| Postretirement benefits | (.69) | - | - | - | - |
| Net income (loss) | (4.96) | 1.85 | 3.95 | 3.84 | 3.34 |
| Cash dividends | .80 | .80 | .775 | .675 | .575 |
| ***Financial Position*** | | | | | |
| Current assets | 1,221,492 | 1,255,908 | 1,319,894 | 1,211,592 | 1,183,175 |
| Current liabilities | 1,164,723 | 1,082,042 | 1,203,643 | 1,131,411 | 1,092,538 |
| Working capital | 56,769 | 173,866 | 116,251 | 80,181 | 90,637 |
| Current ratio | 1.05 | 1.16 | 1.10 | 1.07 | 1.08 |
| Total assets | 3,090,930 | 3,293,267 | 3,415,045 | 2,967,297 | 2,754,799 |
| Long-term debt | 414,301 | 486,129 | 532,510 | 329,286 | 254,312 |
| Capital lease obligations | 182,066 | 206,003 | 220,892 | 233,564 | 252,618 |
| ***Equity*** | | | | | |
| Shareholders' equity | 1,034,330 | 1,253,106 | 1,221,270 | 1,092,164 | 970,843 |
| Book value per share | 27.06 | 32.79 | 31.96 | 28.59 | 25.42 |
| Weighted average shares outstanding | 38,219,000 | 38,211,000 | 38,206,000 | 38,198,000 | 38,164,000 |
| Number of registered shareholders | 12,309 | 12,871 | 14,210 | 15,045 | 16,079 |
| ***Other*** | | | | | |
| Number of employees | 90,000 | 94,600 | 99,300 | 91,000 | 92,000 |
| Number of stores at year end | 1,193 | 1,238 | 1,275 | 1,215 | 1,241 |
| Total store area (square feet) | 37,741,000 | 38,742,000 | 39,353,000 | 36,369,000 | 36,407,000 |

(a) Such amounts are comprised of the following, net of applicable income taxes:

| | Dollars | Per Share |
|---|---|---|
| Provision for potential loss on Isosceles investment | $(89,238) | $(2.34) |
| Realignment of store operations | $(42,600) | $(1.11) |
| All other earnings | $ 33,337 | $ .87 |

## CORPORATE OFFICERS

James Wood
*Chairman of the Board, President and Chief Executive Officer*

Fred Corrado
*Vice Chairman of the Board, Chief Financial Officer and Treasurer*

Michael J. Larkin
*Executive Vice President, Chief Operating Officer*

Peter J. O'Gorman
*Executive Vice President, Development & Strategic Planning*

Gerald L. Good
*Senior Vice President, Chairman, A&P Tea Co. Ltd., Canada*

George Graham
*Senior Vice President, Chief Merchandising Officer*

James L. Madden
*Senior Vice President, Operations*

Ivan K. Szathmary
*Senior Vice President, Chief Services Officer*

Robert G. Ulrich
*Senior Vice President, General Counsel*

Ernest H. Berthold
*Vice President, Assistant to the C.E.O.*

Peter R. Brooker
*Vice President, Planning and Corporate Secretary*

Stephen T. Brown
*Vice President, Labor Relations*

Timothy J. Courtney
*Vice President, Taxation*

Donald B. Dobson
*Vice President, Southern Operations*

R. Paul Gallant
*President, Compass Foods*

Kenneth W. Green
*Vice President, Produce Merchandising and Procurement*

J. Wayne Harris
*Vice President, Operations Greater New York Metropolitan Area*

Christian W.E. Haub
*Vice President and Assistant to the E.V.P., Development*

Clifford J. Horler
*Vice President, Property Development*

Robert A. Keenan
*Vice President, Chief Internal Auditor*

Peter R. Lavoy
*Vice President, Corporate Merchandising*

Francis X. Leonard
*Vice President, Real Estate Administration*

H. Nelson Lewis
*Vice President, Human Resources*

Mary Ellen Offer
*Assistant Corporate Secretary*

R. Donald O'Leary
*Vice President, Marketing*

Karl Petersen
*Vice President, Retail Services*

Peter E. Rolandelli
*Vice President, Management Information Systems*

Michael J. Rourke
*Vice President, Communications and Corporate Affairs*

Richard J. Scola
*Vice President, Assistant General Counsel*

J. Paul Stillwell
*President, Supermarket Service Corp.*

Craig C. Sturken
*Vice President, Michigan Group*

Kenneth A. Uhl
*Vice President, Controller*

Burton J. Weinbaum
*President, A&P Northeast*

William T. Wolverton
*Vice President, Warehousing and Transportation*

## DIRECTORS

James Wood *(c) (d) (e)*
*Chairman of the Board, President and Chief Executive Officer*

Rosemarie Baumeister *(b)*
*Executive Vice President, Tengelmann Warenhandelsgesellschaft, Germany*

Fred Corrado *(d) (e)*
*Vice Chairman of the Board, Chief Financial Officer and Treasurer*

Christopher F. Edley *(a) (b) (c) (e)*
*President Emeritus and former President and Chief Executive Officer of the United Negro College Fund, Inc.*

Christian W.E. Haub *(d)*
*Vice President and Assistant to the E.V.P., Development*

Helga Haub *(c) (d)*

Barbara Barnes Hauptfuhrer *(a) (c) (d) (e)*
*Director of various corporations*

Paul C. Nagel, Jr. *(a) (c) (d)*
*Director of various corporations*

*James W. Rowe (c)*
*Vice Chairman of the Executive Committee and Former Vice Chairman of the Board*

Walter D. Scott *(c) (d)*
*Professor of Management and Senior Austin Fellow, J.L. Kellogg Graduate School of Management, Northwestern University*

Eckart C. Siess *(e)*
*Former Vice Chairman of the Board*

Fritz Teelen *(d)*
*President, Plus Subsidiary Tengelmann Warenhandelsgesellschaft, Germany*

Henry W. Van Baalen *(b)*
*Business Consultant*

R.L. "Sam" Wetzel *(a) (e)*
*President and Chief Executive Officer of Wetzel International, Inc.*

*(a) Member of Audit Review Committee,* Paul C. Nagel, Jr., *Chairman*

*(b) Member of Compensation Policy Committee,* Henry W. Van Baalen, *Chairman*

*(c) Member of Executive Committee* James Wood, *Chairman*

*(d) Member of Finance Committee,* Paul C. Nagel, Jr., *Chairman*

*(e) Member of Retirement Benefits Committee,* Barbara Barnes Hauptfuhrer, *Chairman*

*Executive Offices*
Box 418
2 Paragon Drive
Montvale, NJ 07645
Telephone 201-573-9700

*Transfer Agent and Registrar*
American Stock Transfer and Trust Company
40 Wall Street
New York, NY 10005
Telephone 212-936-5100

*Independent Auditors*
Deloitte & Touche
Two Hilton Court
Parsippany, New Jersey 07054

*Shareholder Inquiries Publications and Address Changes*
Shareholders, security analysts, members of the media and others interested in further information about the Company are invited to contact the Corporate Affairs Department at the Executive Offices in Montvale, New Jersey.

Correspondence concerning address changes should be directed to:
American Stock Transfer and Trust Company
40 Wall Street
New York, NY 10005
Telephone 212-936-5100

*Form 10-K*
Copies of Form 10-K filed with the Securities and Exchange Commission will be provided to shareholders upon written request to the Secretary at the Executive Offices in Montvale, New Jersey.

*Annual Meeting*
The Annual meeting of Shareholders will be held at 10:00 a.m. on Tuesday, July 13, 1993 at the Park Ridge Marriott Hotel, Park Ridge, New Jersey. Shareholders are cordially invited to attend.

*Common Stock*
Common stock of the Company is listed and traded on the New York Exchange under the ticker symbol "GAP" and has unlisted trading privileges on the Boston, Midwest, Philadelphia, Cincinnati, and Pacific Stock Exchanges. The stock is reported in newspapers and periodical tables as "GtAtPc."

*This report is printed on recycled paper.*